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Honourable James Flaherty
Minister of Finance
House of Commons
Ottawa, Ontario, K1A 0A6

Minister Flaherty: **Sent by Fax : (613) 992-8320**

SUBJECT: Your Panel is Fatally Flawed if you want to Stop the Abuse of Canadians by the Financial Services Sector

You are no doubt keenly aware of the abuses of the banking industry with respect to ABCP and the deliberate exclusion of individual Canadians from what has become known as the Crawford Committee. Because of the extensive backlash and publicity from individual Canadians and with the damage already having been done, it would appear that you now realize that there is a need to tighten regulations concerning the banking sector.

While the ABCP issue is scandalous, there are other more pernicious and financially devastating abuses to which Canadians are routinely subjected by the financial services sector. As Canadians try to save and prepare for retirement through investments in the Parliament of Canada created registered retirement savings plans, there is virtually no monitoring by any regulatory agency that is not industry owned and or controlled to protect the interests of Canadians. Instead, the RRSP funds are subjected to abusive practices by an industry that has viewed RRSPs as a big piggy bank that is there for the taking. Witness the highest in the world mutual fund fees that Canadians pay. Witness the fees that are charged for services that are not even necessary as defined by the Income Tax Act as they relate to RRSPs.

I refer to your 21feb08 announcement of the chair and members of an expert panel charged with providing advice and recommendations on securities regulation in Canada. The membership of this panel will in

no way represent the perspective of the individual Canadian. While important, the focus will be on streamlining the securities industry and the government regulatory apparatus with token lip service to this being good for all Canadians. The Chair of the Committee assures that this will be the case.

The mandate of this panel is akin to what Industry Canada would do with respect to an industry such as the pharmaceutical sector in Canada. However, Canadians are not prepared to simply rely on an Industry Canada efficient business industry analysis to be comforted that their best interests are being looked after. We all remember the days of the snake oil salesmen and thalidomide. No, Canadians have demanded and the federal government long ago responded by creating a separate department, apart from Industry Canada called the Health Protection Branch, whose sole mandate is to protect the individual health interests of Canadians.

Nothing less is required to respond to the needs of Canadians to have their financial health needs protected in their retirement savings plans and other investments.

The financial services sector operates with virtual impunity. Virtually every regulatory body is either industry owned or controlled and this even extends to the OBSI because of the decision of a previous federal government to accede to an industry offer to fund and control the Ombudsman process itself.

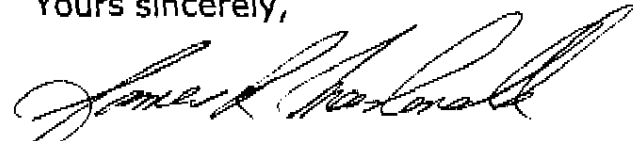
So in terms of the composition of the Panel, where are the people that will be sensitive to and will represent the needs of individual Canadians? As currently composed, it resembles the members of the Montreal Accord; that is, carefully selected to specifically exclude the interests of individual Canadians.

To correct this clear perception, I strongly urge you to name a Co-Chair to the Panel. While Tom Hockin can do an admirable job representing the needs of the industry, this needs to be balanced to ensure that someone is representing Canadians. Mr. Hockin has no credibility in this regard because it was Mr. Hockin who oversaw the grotesquely high overcharges that Canadians have suffered from the mutual fund industry. Hockin's legacy to Canadians is ensuring that Canadians pay by far the highest mutual fund fees in the world. He did nothing about the abuses of market timing when this practice was known in the US and academic research for years and when he was in a position to do something about it.

For the Panel to have any credibility, you should invite someone of the stature and caliber of Glorianne Stromberg, or The Honourable Mr. Justice Peter Cory or Marilyn L. Pilkington to be the Co-Chair. Furthermore, you should add at least two more members to the Panel who would focus on the "financial health of Canadians" perspective as opposed to the "financial industry perspective". There are many such qualified people and I would put forward the following names as being illustrative of the type of people that could make a meaningful contribution for the benefit of Canadians: Robert Kyle, Dr. Pamela Reeve, Whipple Steinkrauss, Larry Elford, Dr. James Williams.

Your current Panel composition is flawed and the conclusions drawn will have little or no credibility to Canadians who have suffered long because of the current industry controlled regime. Positive action on your part is urgently required.

Yours sincerely,



James R. MacDonald MBA